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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2163

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OPERATIONS OF INTERNATIONAL BANK FOR ECONOMIC COOPERATION OUTLINED

Sofia POGLED in Bulgarian 13 Jul 81 p 7

[Article by Lenko Beshev, POGLED Moscow correspondent: "Here Not Only Money but Understanding Governs"]

[Text] Every day the International Bank for Economic Cooperation of CEMA carries out financial operations worth about 500 million transferable rubles.

From the Communique on the Thirty-fifth CEMA Session: "The session expressed its confidence that the further development of all-round cooperation among CEMA-member countries will actively contribute in the forthcoming years as well to the solution of socioeconomic problems which were raised at the congresses of communist and workers' parties, the strengthening of the unity and cohesion among fraternal countries and the enhancement of their international prestige and influence to the benefit of the peace and freedom of the peoples."

When I was preparing for my assignments to the USSR, some colleagues advised me to visit the International Bank for Economic Cooperation of CEMA in Moscow. Now, as I leaf through my notes, I do not regret having followed their advice. Actually, I was helped greatly by Konstantin Miroshnichenko, director of the bank's administrative council, in charge of operations involving transferable rubles. We shall discuss him later. To begin with, I asked him to explain what kind of monetary unit is the "transferable ruble."

"I was asked the same question by two Western journalists some time ago: 'What kind of currency is this when it can neither be seen nor touched?' I explained to them that this is a conventional collective socialist currency with a gold backing equivalent to that of the Soviet ruble but with double its purchasing power. Therefore, when you read in the press that deals have been made among fraternal countries involving hundreds of thousands of transferable rubles, you will now have a real idea of the scale of our commercial exchanges...."

"Konstantin Georgiyevich, you were one of the founders of the bank in 1964. Could you tell us something about its initial steps?"

"The bank was founded by eight countries, including Bulgaria. Cuba joined in 1974 and Vietnam in 1977. Currently the bank's statutory capital exceeds 350 million

transferable rubles. We not only attract available funds but make loans to bank members. Until 1971 we granted loans for investment purposes as well, a function now assumed by CEMA's Investment Bank. Our bank also organizes payments among members not only on the basis of current trade but export obligations, which is a major convenience for member countries. Allow me to emphasize one very essential aspect of our activities: by granting loans at a low interest rate to most needy countries, we are thus helping their economy very effectively. Here is something else which must clearly show the principles of reciprocal cooperation and sympathy on which the bank is based, the so-called term credit." Such credit is granted when a country has a temporary negative budget balance and is unable to meet its export obligations yet has a very great need to import. Let us say that the season was poor and that the country was unable to export the stipulated amounts of agricultural commodities. Meanwhile, a newly-built plant is awaiting its equipment. What then? Instead of the country, we pay for the import and the following year the country settles with us. Please note that in the case of the neediest countries the interest does not exceed 2 percent. Actually, this is a very efficient means for helping a developing economy...."

"Konstantin Georgiyevich, what is the principle on the basis of which the deposits of the individual members were computed?"

"The contribution of each country is proportional to the share of its exports compared with exports of other countries. In other words, the higher its exports the bigger will be its contribution. In this manner countries with lesser possibilities are not hindered while retaining a virtually unlimited credit at the bank...."

Once Balzac described for us the classical type of a banker, as represented by Gobseque and Nussingen, as well as the thought that many years of handling money gives the eyes of a person a metallic gleam. Strangely, though, my companion did not resemble Balzac's character. He is tall, slim with graying hair and the way in which he pronounces his "r" betrays in him the Ukrainian. He was born in Khar'kov where he graduated from the financial institute in 1931 and started his career at the bottom, as a credit inspector. As we talked, I was thinking of those past 50 years spent in the monotonous company of valuables and files, adding machines and typewriters. How many million rubles have passed through his hands? And what fantastic amounts of money have waited for his signature? We immediately turned back to the period of the bank's founding....

"We chose the most democratic principle for its structure: each country has a single representative sitting in the bank council which meets twice annually to resolve basic problems. Also, each country has the right to veto any decision."

"Have there been such cases?"

"No, we have always sought a solution equally acceptable to all."

Actually, nice words are nice, but a bank is a bank. It handles currency and does not believe in "word of honor." It has the right to penalize delinquent payors. So far, however, there has been no such case.

"With every passing year," Konstantin Georgiyevich went on to say, "our work load becomes heavier, since economic cooperation among CEMA-member countries is growing steadily."

I was cited figures which would impress anyone: last year alone the bank handled financial operations totaling 123 billion transferable rubles, i.e., about 500 million rubles every working day. These figures were materialized in Hungarian buses, Soviet transistors, Polish mixers, and so on. There is hardly an object imported in our country which has not been financed by the bank....

I said good-by to my pleasant interlocutor.

The human flood welcomed me in the streets of Moscow, and cars whizzed by.... Meanwhile, I was thinking of the people who, with a great deal of understanding, are engaged in the difficult work described as internationalism in action, mutual aid, fraternal cooperation or socialist integration.

5003
CSO: 2200/124

BRIEFS

LABOR SAFETY IN CHEMICAL PLANTS--In March of this year a national activ on problems of labor medicine and technical safety in the chemical industry was organized in the "Gogo Nushi" factory in Fier. Health workers from the districts and workers from enterprises of the chemical industry took part in the activ. The participants made some comments and criticisms on the basis of the inspections organized by the organs of the state health inspectorate in various industrial units. Although, from a legal point of view, sound bases have been laid for the correct understanding and implementation of prophylactic measures, there are still many shortcomings and violations, for example, in the superphosphate plant in Lac, and in the chemical enterprises in Durres and Tirana. In these enterprises, the measures established by law have not been taken or are not being executed, because of lack of concern and lack of accountability. There have been deficiencies in regard to the sealing off of areas where dangerous procedures are carried out; there have been leaks from equipment. Deficiencies have been noted in the mechanization of work processes and in the installation of suitable ventilation systems. There have been cases where action has not been taken to ensure the compulsory supplying of workers with individual and collective protection equipment and to ensure that equipment suitable for the work place is provided. Also there are cases where this protection equipment is available but not used. [Excerpts] [Tirana SHENDETI in Albanian Apr 81 pp 1-2]

CSO: 2100/96

BRIEFS

CSSR'S CAR PRODUCTION--Miroslav Capka, chairman of the CPCZ's Central Control and Auditing Commission, visited on 18 June the largest CSSR automobile factory in Mlada Boleslav; this year it will produce more than 170,000 passenger cars. In the afternoon of the same day, M. Capka visited the Liaz final assembly plant in Mnichovo Hradiste, which will produce more than 12,000 freight cars this year, mostly for export. [Prague RUDE PRAVO in Czech 19 Jun 81 p 2]

CSSR-CAMEROON DOCUMENT--A Czechoslovak delegation, led by J. Jakubec, CSSR deputy minister of foreign trade, returned on 2 July from Cameroon's capital, where it had conducted negotiations resulting in the signing of an agreement between the CSSR and Cameroon, which establishes prerequisites for increasing CSSR exports, especially engineering ones, and ensures deliveries of raw materials and agricultural produce from Cameroon. [Bratislava PRAVDA in Slovak 3 Jul 81 p 8]

TRADE PROTOCOL WITH GREECE--Prague, 26 Jun (CETEKA)--A session of the Czechoslovak-Greek joint commission, founded on the basis of the inter-governmental agreement on economic, industrial and technical cooperation signed by the premiers of both countries in October last year, ended here Friday [26 June] by signing a final protocol. During the session both sides reviewed the development of relations in the spheres of trade, industrial and technical cooperation, and preconditions for their further development. [Text] [Prague CTK in English 1143 GMT 26 Jun 81]

CSO: 2020/58

ECONOMIC STRATEGY FOR 1981-1985 PERIOD ANALYZED

Duesseldorf WIRTSCHAFTSWOCHE in German Vol 35 No 24, 5 Jun 81 pp 52-55

/Article by Prof Wolfgang Seifert, guest lecturer of international law, Kiel University: "GDR Economy: Strategy and Practice"/

> /Text/ As a precaution the discussion of the plan directive this time was postponed until after enactment by the Tenth SED Congress. It has thus become a complete farce, because the ambitious goals have already been established. The GDR leadership is the only one in CEMA to opt for a high growth rate. Prof Wolfgang Seifert analyzes the backgrounds of and outlook for the GDR strategy.

Initially even the GDR leadership indicated some measure of sobriety. As late as February last SED chief Erich Honecker stated that "in view of world economic developments" he would not "consider it a tragedy...for the annual growth rates through 1985 not to be so high as currently estimated..." (estimates then mentioned 4 percent). Now the produced national income (roughly comparable with the gross national product) is to rise from 128 to 130 percent by 1985, that is by 5.6-6 percent annually. This decision by the GDR leadership to go for large economic growth is based more on politico-ideological reasons than on sober economic analysis.

Only a steep rise in economic performance offers an opportunity to continue the present policy of low rents, fares and consumer prices of so-called essential goods as well as the further pursuit of the housing construction program. Only such a rise might be able to at least balance the growing burden imposed by rising world market prices of raw materials and energy, rearmament and the more serious competition on the world market. The GDR leadership is well aware that this will require an equally steep rise in productivity, the "development of reserves to an unprecedented extent."

However, any sober analysis to see whether there is in fact any possibility of such an achievement leads to the paradox that the high growth targets were not established on the basis of any realistic appreciation. The primacy of politics, always most pronounced in the GDR, has been pushed to the outermost limits: The Honecker line must be pursued at any cost, therefore growth targets must be so set as to make this possible. The question inevitably arises whether that is feasible.

The centralized planned economy is largely dependent on organization and administrative coordination; it requires an enormous apparatus and bureaucracy. Its impetus

is the permanent application of administrative methods by the state central authority (planning), which, in turn, is "directed" and supervised by a centralist party of a very special type.

A planned economy, hierarchical and centrally structured, has certain advantages in the building up of a new economy, the expansive development of a national economy, the construction of large industrial projects--because it has the potential for concentrating the financial, material and personnel resources of an entire nation.

At the same time, however, the weaknesses of the system tend to surface, because it is based on the illusion that the entire economic process may be centrally guided rather like a railway timetable, and that it is possible to arrive at investment decisions, for example, not by studying market needs but (in the best case) by consulting purely accounting considerations. The system-inherent functional weaknesses come fully to the fore when it is a matter of the intensive development of the economy, the introduction and transfer of technological advances, when the need is for imagination, independence, decisionmaking and a sense of individual responsibility.

In recent years the GDR has carried out or initiated several measures designed more efficiently to organize its economic system. That includes in particular the organization of industry in large combines (now said to number 157) and the reorganization of its foreign trade organizations which have largely been subordinated to the combines. Both might well help the economy to be geared more effectively to the demands of the world market and encourage the independence of the producing units. However, so far it has turned out to be no more than a process of concentration for certain output structures and was kept in narrow limits.

After the Tenth SED Congress it is certain that these limits may not be exceeded. Though the combines have been granted more rights, they continue to receive mandatory state plan targets, are judged by specific indices, and the state retains the ultimate say-so. To cite Honecker: "In future also we start from the fact that the Council of Ministers is responsible for the management of the GDR's entire national economy."

The possibly more immediate confrontation of combines and foreign trade organizations with the world market will, therefore, have only a very limited effect. Even should they wish to adequately take into account the needs of international economic relations, they would lack either the powers and resources required or--assuming they were to use the powers and resources available to them in this sense--sooner or later produce chaos in the entire central planning system. Also limited if not in part adverse are the effects of the recently introduced indices "net production" and "basic material costs per M100 goods production" which, together with the index figure "industrial goods production," are to be used to evaluate the performance of the combines. They may compel the combine to conserve energy, raw materials and manpower and improve productivity, but only by indirect and administrative means, not by direct confrontation with marketing conditions on the world markets.

In the 1976-1980 Five-Year Plan period the GDR lagged 6 percent behind the planned growth of the produced national income. Compared with the two previous five-year plans total economic growth further weakened: 1966-1970 annual growth amounted to 5.2 percent; 1971-1975 5.4 percent; 1976-1980 4.2 percent. All the [illegible] these are

considerable achievements for an economy which employs rather more than 8 million and produces an absolute annual national income of (average) M162 billion.

On foreign markets the GDR has been affected by the significant deterioration in the terms of trade because it has been unable to raise the prices of its export goods anywhere near the extent of world market price hikes for energy and raw materials. Fearing the political risk it avoided yielding to the pressure to adjust by a systematic correction of the domestic wage and retail price structure. At the same time it was unable to carry on a strategy of promoting exports while restricting imports. As a consequence government subsidies swallow larger and larger amounts: 1976-1980 M234 billion, 1981-1985 they will require at least M295 billion.

The foreign trade imbalance has increased further, but the GDR escaped the subsequent pressure for adjustment by more borrowing. At the end of 1980 GDR foreign debts amounted to almost $10 billion, and currently more than 50 percent of convertible currency earnings are swallowed by interest and repayments.

The GDR is also carrying a heavier burden as a consequence of the cost of rearmament: According to official figures this required M8.6 billion in 1979, last year M9.4 billion--an 8.4 percent rise in the course of a year.

As a way out of the economic impasse the GDR leadership is now offering "10 key points" of their "economic strategy for the 1980's." The challenges to the economy may be summarized as follows: "Maximum rise in exports accompanied by far reaching import restrictions and zero growth of investments."

An above average rise in exports is to provide the main base of economic growth (in part at the expense of intra-CEMA trade). This is a hopeless endeavor altogether to the extent desired, and whatever can be done must be achieved by considerable price discounts. The consequence would be a decline in domestic supplies and in imports of urgently needed foreign equipment.

The GDR leadership has high hopes of technological advances which are to be fueled by the allocation of some 4.5 percent of the national income. By 1985 9,000 robots are to operate in industry, replacing 25,000-30,000 workers. Yet even leading GDR scientists are compelled to admit that the system-related weaknesses of planning represent an obstacle to the emergence as well as the rapid application of new results of technological research.

Creativity is lacking, and the transfer delays before new results are used in industry are much too long. The growth targets are unrealistic also because the investments envisioned are inadequate both as to volume and kind to renew the often obsolete production apparatus of GDR industry.

In fact the GDR leadership is left with only the following potential to be deployed for raising the rate of economic growth:

-- The centralist planning system, its strengths and weaknesses described earlier;

-- The large numbers of skilled workers, matured in many generations of German industrial development, and who remained and reproduced themselves in the GDR;

-- The industrial structure, taken over, reconstructed and further developed;

-- A notable pool of technical and technological-scientific personnel in the research and development facilities;

-- The largely secure supplies of energy and raw materials from the Soviet Union as well as the contractually guaranteed sales of specialized products to CEMA, especially the USSR;

-- Finally the access to capital and the markets of Western industrial countries, easier for the GDR than for most other East European countries.

Western experts largely agree that these factors--provided they are fully exploited--may enable the GDR leadership to maintain the advance of its economy by comparison with other CEMA countries. In terms of the absolute amount of the national income the GDR has the third largest CEMA economy, behind the USSR and Poland; in terms of the per capita national income or national income per gainfully employed person it is far ahead of all CEMA countries and, as regards living standards, outdoes them all by 50 percent.

On the other hand the gap between the GDR and the Western industrial countries, in particular the FRG, will continue to widen. Even now the GDR leadership's assertion that it is ranked with the 10 leading world industrial countries stands up only in terms of the absolute amount of national income. Here the GDR has just managed to hang on to 10th place. In terms of per capital national income it is in 13th or 14th place, in world trade in 15th place with just over 1 percent.

Western experts also agree that even if all the potential of the GDR economy were to be fully exploited, it would be unrealistic to expect it to achieve the growth rates proclaimed at the Tenth SED Congress. The prediction derived from their analyses considers considers a 3-3.5 percent economic growth a realistic goal for the GDR economy.

Such realistic growth targets, however, would not be enough to maintain the Honecker line of the "unity of economic and social policy" without any cuts. The situation could have turned out different if the GDR had adopted fundamental reforms of its economic system at the appropriate time, allowing far more scope to market forces, economic and monetary instruments. However, not even now is it likely that the GDR might embark on such reforms which would call in question the political structure of the regime.

To sum up: Without a doubt the GDR leadership will be able to achieve some effects by its economic targets and orientation. Nevertheless hard times are ahead, not only for the managers who are supposed to develop, introduce and new technologies, raise productivity, conserve everything possible, free manpower, supply more exports and produce more consumer goods without being allowed to make the appropriate investments or given adequate entrepreneurial decisionmaking powers.

Workers are to be transferred to a multishift system in sometimes obsolte production plants, released from their jobs and--retrained--given different jobs in other enterprises, work harder and better generally but participate to only a modest extent in the economic advance.

It is, moreover, hard to imagine that--in the scope of economic integration--a country like the GDR which, at 21.23 percent demonstrates a relatively advanced integration--will be able to achieve such ambitious growth targets by way largely of increased exports at a time when all other CEMA member countries endeavor to reduce the produced national income in order to restrain import demand.

In many respects Honecker's pursuit of the "unity of economic and social policy" tends to resemble the economic policies of Austrian Social Democrat Kreisky: "Better 100 million debts than 100 unemployed." Honecker prefers to spend a few billions more on government subsidies, borrow a few million more abroad, than confront the GDR public with the moment of truth.

And yet that moment inexorably approaches. At that time the SED leadership will have only three options: Either it still persists in the present line, with the consequence of more foreign debts and growing domestic inflation, or it must restrict growth, freeze living standards and, generally, carry out adjustment measures (or, better said, catch up on such measures).

Or it must, after all, adopt fundamental economic reforms. In that case success will depend on the change of political structures also, something which is unimaginable without changes in the political line of the SED leadership and its personnel.

Of course the roughly foreseeable economic development of the GDR impinges on the interests of the FRG also. Such problems as the desired progress of inner-German economic relations, the forthcoming negotiations on the swing, the GDR's interest in the FRG's participation in the electrification of the GDR railway network by way of the expansion of rail routes from the federal territory to Berlin--none of these can be evaluated independent of the GDR's economic prospects.

Moreover, the general attitude of the GDR leadership to the FRG must be considered against this economic background. A shift of priorities has occurred in GDR politics: The issues of disarmament and arms control have moved to the fore without the GDR moving from its basic Gera demands which amount to the amendment of the basic treaty. The GDR leadership sticks to the formula "less contacts--more money--increased pressure on Bonn." The only difference: This pressure is now primarily employed against the NATO arms modernization decision.

At the same time we already see that the USSR is forcing Honecker into a straitjacket which may lead to a further loss of popularity by the GDR leadership and therefore tend to sap the internal stability of the GDR.

11698
CSO: 2300/271

ROLE OF UNIONS IN ECONOMY DISCUSSED

Budapest NEPSZAVA in Hungarian 26 Jul 81 p 3

[Article by L. D.: "In the Name of the Workers, With a Mandate from the Workers; PEACE AND SOCIALISM on the Experiences of the Hungarian Trade Unions"]

[Text] PEACE AND SOCIALISM, the theoretical and information journal of the communist and workers' parties which appears in 37 languages and is distributed in 145 countries, devotes a great deal of space in its July 1981 issue--in the debate and exchange of ideas column--to Hungarian trade union experiences in the political system of socialism.

In the introductory lines of the article titled "In the Name of the Workers, With a Mandate from the Workers" it is emphasized that positive experiences have been collected in Hungary in the area of the development of the socialist trade union movement. These experiences were discussed in a debate organized by the editors of the journal. Those participating were Tibor Baranyai, a department chief in the MSZMP Central Committee, Laszlo Gal and Sandor Jakab, deputy first secretaries of the SZOT [National Council of Trade Unions], Gyula Virizlay, secretary of the SZOT, and Tibor Bucsu, secretary of the trade union council of the Csepel Works.

The Relationship to Power

The journal begins its introduction to Hungarian trade union life with an important assertion, namely, that in the course of the debate "the common socialist and uniquely national aspects which characterize the Hungarian trade union movement became ever clearer to us." And it continues with a basic question: "The chief tasks of this movement include a representation and protection of the entire scale of the rights and interests of the workers, the furthering of the construction of a developed socialist society and the consolidation of the workers' power, and care for the development of production and, on this basis, for the continual raising of the standard of living of the people. In this way the chief goals of trade union work merge with the ideals of socialism. This defines the place of the trade unions in the political system of the new society and defines the essence of the links tying them to the party in power."

The article deals in particular detail with these links, referring to the "argument" incessantly repeated by bourgeois propaganda that under the conditions of socialism the trade union movement is subordinate to the "dictate of the party,"

deprived of independence and thus of all real rights. In a bourgeois state--PEACE AND SOCIALISM notes in a summary of the arguments—it is natural for the trade unions to strive to be independent of parties seeking mass influence and expressing the interests of monopoly capital. And although their cooperation with worker oriented parties is natural it often is not undisturbed. In socialism it would be unnatural for the trade unions to divorce themselves from the party in power, which puts the interests of the working majority in the center of its policy.

This was emphasized in the debate: "The Hungarian trade unions deliberately and voluntarily admit the ideological-political leadership of the MSZMP, but this does not exhaust their mutual contacts. The other side, at least as important, is that the party recognizes the independence of the trade union movement as an indispensable condition for its activity."

Providing a full picture includes the admission that in the past, in the course of socialist construction, the party committed errors in defining its relationship to the trade unions. "In the first half of the 1950's," the journal reports briefly on this historical period, "the party leadership overestimated the significance of the fact that the political vanguard should have a direct effect on the guidance of the state and of economic and social life. They diminished the role of the trade unions and actually deprived them of having a say in the decision of state matters, in the protection of the interests of the workers."

This also contributed to weakening the mass contacts of the party and to a sharpening of the crisis situation. Following the defeat of the counterrevolution the trade unions received the necessary organizational, operational and legal independence. Respect for the trade unions grew and strengthened and the trade unions, realizing the policy of the party, participate in the development of this policy. Thus the Hungarian trade unions are carrying out ever better the task formulated by Lenin that they should constitute a link between the vanguard and the masses.

Party, State, Trade Unions

The debate repeatedly pointed out that party guidance of the trade union movement is of an ideological-political character and pays strict attention to the rules of trade union democracy. It emphasized that "the trade unions are not only making use of their rights but also are carrying out their obligations when they call attention to difficulties and problems which arise in the course of realizing the policy of the party and make recommendations on how to overcome these."

In the course of the exchange of ideas the division of labor within the system of political institutions in Hungarian socialist society was described in this way: "The party defines the goals and principles, the government organizes the execution of the tasks posted and the trade unions, representing and defending the interests of the workers, aids this activity."

This cannot be done without comradely debates, especially in economic and social questions. An example confirms the assertion: Two years ago the National Assembly discussed the question of raising retail prices. There were no differences in principle and in the course of the national debate, in the organization of which

the trade unions had the most active role, public opinion came to see the sound basis for the measures. But there were different proposals in regard to the concrete solution. Finally, in a lively debate, the position of the trade unions came out on top and the National Assembly adopted it.

Speaking of the relationship between the state and the trade unions the report on the debate stresses that "in Hungary the trade unions not only participate in the preparation of state documents, they also have the right to challenge the decisions of administrative organs in every question which affects the interests of the workers." It was emphasized in the debate that "the state does not intervene in the internal life of the trade unions, it respects the fact that the trade unions do not have to report to state organs and are legally independent. On the other hand, the activity of the state is under the supervision of the masses and the trade unions have an important place in this."

The Hungarian trade unions participate in the exercise of state power at various levels. In connection with this PEACE AND SOCIALISM raised the question of whether the manifold, close cooperation did not bring with it an evening out of specific interests and a "statification" of the trade unions.

Those participating in the debate answered the question with an unambiguous no. Let us quote briefly from the arguments behind this answer: "The state organs and the enterprise directorates have the material resources, they know best the economic needs of society and the possibilities for satisfying them and they proceed accordingly. The trade unions see better the demands and mood of the masses and the concrete possibilities of production--from within, from below." When the trade unions review, from the viewpoint of the workers, the ideas submitted and, if necessary, make supplementary proposals they often get involved in differences of view.

The Hungarian experiences show, the contributors emphasized, that bringing views to the surface is extraordinarily important because "contradictions do not disappear if they are silenced, rather they pile up and cause tension. But when differences of view come to the surface it is easier to avoid conflicts. The representatives of the state organs and the leaders of the trade union movement see this clearly. It is not by chance that it has become a tradition that the same person cannot have a leading post in the government and in the SZOT at the same time; this would lead to a washing away of responsibility."

Interest Protection Tasks

The debate referred to the practice well recognized by Hungarian public opinion that representatives of the SZOT regularly participate in sessions of the government and that the trade union leaders and members of the government hold joint sessions twice yearly. The article also reports on the complex and responsible activity which characterizes the Hungarian trade unions in making decisions expressing the interests of the entire people and in carrying out the decisions. It points out that sometimes--in the interest of long-range social goals--this means that unpopular tasks must be undertaken, avoiding unprincipled demagogy.

The article describing the experiences of the Hungarian trade union movement deals expressly, in accordance with its importance, with the protection of interests, quoting the speech given by Sandor Gaspar at the trade union congress: "The historical justification for the trade unions even today is given, for the worker class, by the interest protection function. Without this a trade union is not a trade union even in socialism." Following this the debate dealt with our present problems and with the basic interest, the possibility of work.

A process of intensification is taking place in the Hungarian economy today and this involves a regrouping of forces. Some branches of production are developing, less promising ones are being cut back, and naturally this involves a regrouping of manpower. According to the interpretation of labor defense of 10-15 years ago, the trade unions could not approve of the transfer of people. Today, however, the question arises in a different way. "The trade union should take care that people's earnings should not decrease because of a transfer, that their new jobs correspond to their training and experience or that they be provided with the necessary training. A defense of the interests of the workers today does not mean opposing changes."

The position taken by those participating in the exchange of ideas extended to the fundamentally important circumstance that society cannot distribute more than it produces. Thus, in the protection of the interests of the worker class, it is of first priority, if indirect, significance that the trade unions also take care of the normal conduct of production. "It is the profound conviction of the Hungarian trade unions," they emphasized, "that the strike is not a suitable tool for the resolution of problems because this holds back the development of the economy, it does not enrich but rather it impoverishes society and delays the satisfaction of those needs for which there is not sufficient material cover." The trade union leaders did not intend to paint an idyllic picture of the realities of life; they reported on those conflicts which sometimes arise between enterprise leaderships and producing collectives. But they also made it known in detail that if the enterprise leadership failed to come to an agreement with the trade unions in questions affecting the interests of the workers then they had recourse to a specific tool which has now been adopted into the Hungarian practice, and this is the veto right. And although in the great majority of cases where the veto right has been used thus far the dispute has been decided in favor of the trade unions they emphasized: "The art of trade union protection of the interests of the workers lies in the fact that they can head off labor or social conflicts, can protect the enterprise leadership from improper actions."

Forums for Place of Work Democracy

The international labor movement can get many-sided information about Hungarian trade union work--and about our problems in it--because in addition to what has been reported here the debate material extends in detail to that practice whereby the movement constantly reviews and attends to the needs of various social strata and professional groups and it reports on the work of the forums of place of work democracy. They stressed the increased role and responsibility of the trade union groups, the stewards and the stewards' bodies, emphasizing: "In Hungary the leading trade union organs, before they develop their positions in especially important questions, ever more frequently query the opinions of trade union members, trade union groups and stewards' bodies and this is becoming a system."

Speaking of the implementation of direct democracy PEACE AND SOCIALISM noted that workers and employees take part in the discussion of the collective contracts governing relations between the enterprise leadership and the workers and in setting the policy governing wages and salaries. At production conferences and workers' meetings they decide problems connected with current matters. The trade union organs respect the opinion of the collective and make their decisions relying on this.

In addition, the ministry cannot confer special favor on the enterprise director and other leaders give an official evaluation of their work without the agreement of the trade union. Today democracy is developing in the direction of permitting the collective to express its opinion about the appointment of economic leaders at various levels and about the evaluation of their work.

Summing up the debate, the journal of communist and workers' parties stated that the trade union movement occupies a worthy place in the political system of Hungary. And it refers to a speech given by Sandor Gaspar in an auto factory in Moscow: "The development of a trade union movement of the new type is a long historical process which is far from being completed. The trade unions are developing together with society."

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MEDIUM RANGE PLANNING FOUND DIFFICULT

Budapest FIGYELO in Hungarian 22 Jul 81 pp 1, 3

[Article by Adam Angyal: "Problems of Medium Range Planning"]

[Text] The changed economic conditions and the openness of the five-year plan of the people's economy require from the enterprises a new type of planning methods which aid swift adaptation. Sliding and alternative planning offer aid to economic organizations working under constantly changing conditions so that they can continually organize their activity over the medium range also.

Experts from two large industrial enterprises will report in our series about the achievements and problems of their planning work.

Sliding Planning

In a system of frequently changing external and internal conditions a plan dealing with a longer period (for example, a medium range plan) will, with the passage of time, coincide with actual management conditions only by chance to an ever increasing degree. It is increasingly unrealistic and less and less acceptable, when comparing the plan and the actual situation, to attribute differences between the actual and the planned situation to deviations from the plan alone. In reality, much more frequently, one can observe a deviation between the actual situation and the management conditions taken into consideration in the plan.

Goal And Solution

This difference is an essential one. The plan must be regarded not only as a standard to which it is sufficient to compare the actual situation and thus establish how what had been imagined has been fulfilled. We must expect from the plan also that it will indicate what must be done in the given period; so it also contains a goal and, implicitly, a solution as well. In this conception we cannot regard a plan which deviates from a real management conditions system as a plan because it does not contain the information needed to organize and conduct management; rather, it encourages a sort of obsolete action divorced from the given situation.

In the past 2-3 years the enterprises could experience that what was imagined and how it was imagined at the time of plan preparation did not prove realistic because of a significant change in the conditions system, and so the plan had to be reevaluated.

This process can be seen very well in the changes in enterprise goals and in the appearance of "modernizing" elements. Preparation of the Fifth Five-Year Plan at the Hungarian Ship and Crane Factory (MHD) lasted for 5 years; we set down the first conception in 1973 and we compiled the last plan at the end of 1978. Between these two points in time we prepared seven plan versions, worked out at various depths and with various conceptions, and it is probable that by the end of the plan period yet another, retrospective plan will have to be compiled. We can see this in the fact that the last (1978) plan described what would have been according to conditions which have changed even since then. So it can be seen that the people's economic plan and the enterprise plan had to be constantly corrected. This cannot yet be called sliding planning, but it contains elements thereof.

The theory of sliding planning has been clarified more or less. But its application in management practice is superficial and obscure. The national economic planning system still does not handle the concept of a changing plan and the state guiding organs attempt to measure fulfillment according to the "classic" plan interpretation. But practice is more complex than this because in the guidance of management they necessarily deviate from what is described in the plan.

There is still no solution of how to treat changes in the plans. In general the compromise solution is to prepare a new, modernized plan and then management proceeds on this basis. But this is not a solution because the medium range plans prepared in this way deal with shorter and shorter times, because the end point is unchanged. A five-year plan which is called on to organize management for the years 1976-1980 and which is prepared in 1978 obviously no longer deals with 5 years but only with 2 years. Since the initial and end points of medium range plan periods do not change such versions are less and less plans and are more and more sanctifications of past changes.

This is how it was at the MHD too. For example, the Fifth Five-Year Plan prepared in 1978 contained the actual data for 1976 and 1977 and--since it was prepared at the end of 1978--the projected data for 1978. As a plan it covered only 2 years. Of these the first was very similar to the operational plan for 1979 and only the prescriptions for 1980 were "medium range." So what was put together in 1978 was a five-year plan in name; in function it was not. If the practice of sliding planning does not develop at the level of national economic planning then the most that can be expected at the enterprise level is only the working out of new and yet newer plan versions. But this is not medium range planning because it does not contain all the significant plan functions. This contradiction prompted those working in the Economic Main Department of the MHD to study and recommend the application of sliding planning.

Sliding planning does not exist in the practice of the MDH medium range plan; the practice is frequent reworking and actualization of the plans--decreasing thereby the time horizon. Thus, instead of measuring the expected results of the changes, planning is limited to actualization of the effect of the most recent change.

This can be observed especially in the planning of marketing prescriptions. The "changing" element in the marketing plans of the MHD is the rate of exchange. No medium range plan undertook to predict this although the enterprise had available

the information needed for such estimates. The newer and newer plan versions only recorded the changes which had taken place at the time of plan preparation. This is typical actualization work, but it cannot be called a plan in the sense that a plan contains decisions and obligations pertaining to the future.

So planning experience shows that the actualizations, following one after another, are retrospective, what is involved is utilization of information accumulated up to the time of preparing the plan version, but we did not enrich the versions with new predictions.

Continually, Yearly

Practical application of sliding planning is not free of problems. Some of these can be foreseen and probably can be resolved. But it is obvious that the new system also will be accompanied by difficulties which cannot be foreseen.

The link with the people's economic plans has not been clarified, because the MHD could introduce sliding medium range planning but the state planning organs cannot "handle" this (yet). In the interest of resolving this contradiction I suggest that we should designate a "base" plan from among the sliding plans prepared annually; this should be the compilation prepared at the beginning of the plan period, which is prepared when the state organs require it. This "base" plan could be the basis for a plan information system for the enterprise and the external organs, but as an "organizing" plan it would be valid only until the next sliding plan.

Another problem in sliding planning is caused by the interpretation of the system of changing conditions. This is bridged over by the well-known solution of so-called base price and current price measurement; it is not necessary to deal with this problem as a result of a sliding planning system. But it may be that base level indexes need not appear in the plan; thus only current price indexes would serve as a standard. This agrees with the real content of actual management processes, because these cannot be interpreted in a theoretical conditions system either. For example. one cannot tax the profit that "might have been."

It is clear from the theory of sliding planning that medium range plan preparation will not take place in one concentrated period; rather it will be a continual task, repeated yearly. In accordance with this it would be correct to speak of sliding planning linked to annual planning. In practice this could be done at the MHD in such a way that a year-end sliding medium range plan would be prepared within the framework of annual plan preparation. Thus the Director's Council discussing the annual plan presentation would receive information about the actualized medium range tasks.

Linking annual and medium range planning with the new sliding plan being prepared annually brings up the question of the information content of the plans with different time spans. For example, in the course of annual plan preparation we use primarily such indexes as sales receipts, profit, personnel, export, development, wage fund, etc. But an analysis of indexes of a different character is needed in the medium range--such things as product structure, marketing ratios, personnel structure, increasing personal income, development of manufacturing branches, etc.

Over the long range, on the other hand, we must examine plan information which differs even from this--such things as technical development trends, market escalation ideas, strategic data, etc. So it is clear that if we want to bring annual and medium range planning together with sliding planning then we must create a synchronized information system also.

It is characteristic that this problem does not appear in the state planning system. The data in the information material for the medium range plan are of the same type as with annual planning (for example, sales receipts, profit, personnel, development, etc.); the most that is permitted is that we need not give concrete data for a few years. (And this concession is worth little since we must give data for the last year; thus the state planning system does not accept the fact that the most distant year has the greatest uncertainty.) Nevertheless a distinction by content should be made between plans with the two types of time horizon.

Utilization of sliding planning would make it possible to harmonize annual and medium range planning which now differ in time and in the information base.

For several decades economic planning has been aware of the theory and practice of sliding planning. This method would help economic organizations working amidst changing conditions and circumstances to be able to continually organize their activity over the medium range also. In my opinion the MHD has need of such a solution.

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BRIEFS

NEW PHARMACEUTICAL ENTERPRISE--In December 1980 a new joint enterprise was established by EGYT [United Pharmaceutical and Nutriment Factory] and the Reanal Fine Chemical Factory on 4.5 hectares in Matyasfold [a suburb east of Budapest]. Known as EGAL, the enterprise employs several hundred persons and is highly mechanized, requiring the presence of only five workers per shift. This year the value of production is expected to amount to 80 million forints, 100 million in 1982 and 600 million in 1985. This surge is due to the fact that EGYT will invest 160 million forints in it during the coming period. The new enterprise is taking over production of chemical agents which were unprofitable to its founders but are cost effective to EGAL because of its smaller size. From EGYT is has taken on production of the basic substance of the tranquilizer, Trioxazine, which requires a very simple technology, and will turn out 100 tons this year. For this same reason production of 120 fine chemicals has been transferred from Reanal, the country's only maker of such agents, to EGAL. The current agreement pertaining to EGAL is valid for 3 years. During this period the founders will withdraw no profits from EGAL. However, EGAL can sell only the end products of its own developments. Later the amount of profit withdrawn will be determined by the executive council: the directors of the two founding enterprises and EGAL. EGAL will also undertake research and development as a service. Although it lacks research and development apparatus, it employs highly-qualified personnel who can perform experiments which can be conducted only at a plant. [Excerpts] [Budapest HETI VILAGGAZDASAG in Hungarian 25 Jul 81 pp 24-25]

PHOSGENE PLANT--The investment of the phosgene plant of the Borsod Chemical Combine being constructed in Kazincbarcika as part of the program to expand production of plant protective and pharmaceutical intermediaries has reached the halfway mark. The combine is spending 340 million forints on one of these base facilities. The new building will house Soviet-made equipment which will convert carbon monoxide and chlorine waste gases generated in other plants into 10,000 tons of plant protective agents annually. Technological testing of the facility is scheduled to begin in mid-1982. [Text] [Budapest NEPSZABADSAG in Hungarian 20 Jun 81 p 5]

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IMPORTANT ELEMENTS OF ECONOMIC REFORM OUTLINED

Warsaw BANK I KREDYT in Polish No 2, Feb 81 pp 29-33

[Article by Henryk Blaszak: "Some Problems of the Reform of the Economic System"]

[Text] In the present phase of the discussion on the operating system of the national economy, relatively large areas of near certainty as to the directions of indispensable transformations and the manner of their enactment are emerging. For instance, there is little doubt that:

--regardless of the degree of progress of the work on the comprehensive economic reform, a socially justified necessity exists to introduce partial changes as fast as possible wherever this is feasible, considering that the scale of such improvements is relatively large and that they can create the conditions for a noticeable impact on improved efficiency of management;

--one of the basic directions of reform must be a pronounced strengthening of strategic central planning, with a simultaneous farreaching expansion of the autonomy of enterprises as the basic link of the economy, as well as changes in the system of linkages between the center and the economic units;

--the operating model of the economy is no longer conceivable without solving the crucial problem of participation or assigning the proper rank to all respresentative bodies, especially including worker self-government, which is tantamount to some participation by the public in the process of the management of the national economy;

--a major premise of the process of expanding the autonomy of enterprises and participation by their personnel in management must be strengthening the responsibility for economic performance. Another major premise underlying that process is consolidating--as an instrument and in the public awareness--the principle of funding the rise in wages and developmental needs from the enterprise's own income rather than with monies obtained through negotiation with the state authorities;

--the principal component elements of the economic reform must include a change in the existing system and structure of prices; sooner or later, this change must also extend to the retail prices of consumer goods and result in a change in the current ratios between food prices and prices of manufactured goods.

Independently of the emerging more or less definite aspects of the reform, a large number of problems involved in the reform still remains debatable and requires

detailed consideration and appropriate solutions. Already the first of the problems mentioned above entails the need to determine the relationship between what is not too felicitously called the small (emergency) economic reform and the extensive (comprehensive) economic reform and the determination of the lead time of implementation. Both these questions are not easy and raise many doubts. These questions have arisen owing to the ineluctable need to properly coordinate two mutually conflicting necessities, namely, the need to cope with public pressure for introducing the necessary changes as soon as possible and thus to initiate the process of streamlining the economy, as well as the need for a most penetrating and properly conceived formulation of the general concept of the reform adapted to the realities and the specific operating principles of individual fields of the economy--which takes time.

The thesis of the need to introduce without delay the streamlining of discrete sectors of the [economic] system according to their state of readiness, that is, beginning on 1 Jan 81, also should be regarded as no longer subject to discussion, because it ensues from socially determined needs in face of which there is no alternative. It should even be accepted in the awareness that most likely there will be no possibility of fulfilling the justly advanced postulate that minor emergency reforms should be properly correlated with the premises of a subsequent general reform. This is because the currently adopted decisions cannot take into account many premises and solutions which have not yet been sufficiently precisely determined and whose elaboration must await the completion of discussions of the concept of the [comprehensive] reform. At the same time, any uncoordinated introduction of sector changes by discrete ministries should be avoided, since this might result in an uncorrelated masaic of operating solutions that would deepen the existing chaos, especially if these changes do not even correspond with tentatively determined directions of changes within the framework of the comprehensive reform. From this standpoint viewed, the decision--adopted of late last year--of the ministry of construction and building materials industries to abandon the index of value added and restore the system for settling the wage fund on the basis of overall turnover or sales volume of output and services should be regarded as problematic. Conversion to gross indexes cannot be regarded as a solution with a future, and the not too sensible results of linking the descretionary wage fund to value added, in the construction industry, have been due chiefly to the inclusion of completely senseless incentives intended to counter any excessive increase in current output in the form of the parameter 0.97, representing a factor in the calculation of value added [added value of output]. For the purpose of an interim solution of this problem it thus sufficed to increase that parameter correspondingly without upsetting or discarding this whole system which was, incidentally, until recently so strongly and forcefully promoted by the Ministry of Construction and Building Materials Industry despite opposition by associations and enterprises.

The following recent proposals among others, intended to loosen, on an emergency basis, the excessively restrictive system of enterprise norms and limitations, are justified and proper: the abolition of limitations on employment and the integration of the wage fund, that is, the abandonment of the practice of dividing that fund into various separately planned and calculated component and the elimination of various kinds of anti-incentives complicating efficient management. Drafting proposals for emergency changes of this type is one of the tasks of the recently appointed Party-Government Commission. It is thus to be expected that already in the near future the complex whole of proposals of this kind will be considered.

Another highly complex matter is that of the lead time of the comprehensive economic reform. An article published in No 39, 1980, of ZYCIE GOSPODARCZE, opines that it is desirable and possible to:

--draft the basic premises of the comprehensive reform by the end of 1980;

--determine more precisely specific solutions regarding the three principal component elements of the reform, namely: organizational structures, operating principles of discrete sectors of the economy, and the mechanism of action of discrete functional elements of the new system (planning, prices, financial system, etc.), by the end of October 1981;

--drafting of application proposals for discrete types of economic units, by the end of June 1982;

--Completion of work to introduce the new system into practice in the second half of 1982.

Adherence to the above time-frames is hardly feasible, and as for the opinion, published on 31 Oct 80, that "we could already start the next five-year plan period on the basis of a new economic operating system," its naivete is simply disarming.

The comprehensive economic reform is an undertaking of tremendous complexity, requiring broadly conceived research and preparatory work and entailing some risk of making mistakes. It is to be expected that any failure, even in isolated sectors, will extremely adversely affect the public's mood and the chances of achieving general acceptance of the implemented changes. In such a situation, haste--which magnifies the risk of making mistakes and drafting inadequate solutions of all the problems relating to the new system--would make waste. Hence, the pressure exerted by certain sources to hasten the reform should be resolutely rejected and the starting premise should be that it is better to delay the reform for a year or two in order to prepare it thoroughly than to hasten the introduction of an inadequately planned reform. True, the public manifests a great deal of impatience, but the reigning mood will doubtless be positively affected by the introduction of a number of emergency system changes as well as by the publication itself of the specific premises of the reform under preparation and the initiation of broad discussion of that topic.

Considerations on the lead time of the reform may not disregard two important factors, namely:

First, the fact that the premises of the reform are currently being drafted by two formally established commissions, namely, the Party-Government Commission and the Commission set up by PTE [Polish Economic Society]. The simultaneous work of these two commissions need not result in similar proposals. Differences in views may appear, and their coordination will require extra time.

Second, there is the fundamental circumstance that in the present situation no reform has a chance for successful introduction and operation if it is forced through solely by the managers of our economy. An indispensable prerequisite for the reform's success is the drafting of a concept of the reform such as would meet with a broad public approval, especially the approval of the working class.

Fundamental importance must be attached to this last aspect. One of the most characteristic features of the present situation is the need to carry out certain changes that are absolutely necessary from the economic point of view but which have no chances for support from the public without adequate long-range preparation. They happen to be, moreover, changes to which the public is at present extremely sensitive. One such problem, in particular, is the reform of retail prices, including a change in the price ratio between foodstuffs and manufactured goods. Thus there is a need to consider in any program a number of broadly conceived and properly timed actions intended to secure the support of the entire society, and especially of the working class, for the proposed reform. These actions should, in particular, include an appropriate system of consultations with the trade unions, broad discussion of the premises of the reform, and the campaign to educate the public economically in the year preceding the introduction of the reform. The process of consultations with trade unions and discrete communities, especially factory crews, should be carried out in many stages, since it should encompass all the principal stages of the reform, i.e., the ensemble of emergency or interim changes and improvements, drafts of solutions regarding a broadly conceived participation [by the public, etc.], and the orienting concept of the fundamental economic reform and the specific solutions it entails. These considerations indicate that it is more realistic to expect the introduction of the comprehensive reform to begin in 1983, contrary to the suggestions that the reform should be completed by then.

To sum up, it may be concluded that the economic reform should be carried out in the following stages:

--preparation, consultations, and successive introduction--for an interim period beginning 1 Jan 81--of a program of emergency changes and improvements initiating the revision of the current operating model of the national economy but as yet not representing a comprehensive economic reform;

--simultaneous preparation and introduction, as rapidly as possible following broad public consultation, of a number of solutions intended to redefine the place and role of the enterprise as the basic element of the national economy, with allowance for the specific forms of actual participation by the factory crews and worker self-governments in the management of the economy, as well as for the gradually expanded scope of personal responsibility for economic performance;

--drafting of an orienting general concept of the economic reform, that comprises all key sectors of the national economy, including the price system. This concept should correspond to the transformations going on in all other spheres of functioning of the state organism. This concept should be verified and finally approved upon prior consultation with the trade union and broad public discussion;

--drafting of a number of solutions representing an elaboration of the above concept and comprising discrete fields of economic performance as well as the principal sectors of the national economy and discrete types of economic units. The whole of these projects should be verified and ultimately approved upon obtaining its public approval in the same way as for the orienting concept of the reform;

--drafting and implementation, in the year prior to the introduction of the reform, of a program for universal economic education intended to prepare the nation for living and working in a changed operating system of the national economy;

The most difficult and yet also a most essential element of the economic reform is the reform of prices--which will fundamentally influence all the other solutions of the operating system of the economy. The complexity of the problem of prices is illustrated by, among other things, certain recent undesirable or even dangerous trends. One such trend is the excessive emphasis on price controls as a tool for counteracting the existing inflationary processes. The strengthening of price controls and combatting of the tendency to abuse the opportunities for raising prices in the name of group interests conflicting with the social interest--practices that are applied under various pretexts on a fairly broad scale--is doubtless expedient, desirable, or even necessary. However, this produces the side effect of creating and maintaining the socially harmfull illusion that the economy can in the long run still operate under the conditions of a price freeze, and that retail prices can be effectively protected against the consequences of variously caused rises in costs, and that administrative price controls can be sufficiently effective to replace or postpone indefinitely the absolute necessity of putting the price system in general order. In these times of sharp criticism of the arbitrariness, ["voluntarism"] characterizing the economy of the past decade, illusions of this kind nourish the extremely voluntaristic delusion that effeciently functioning authorities can assure a simultaneous unprecedentedly rapid rise in wages, stability of prices, and increase in the supply of goods and services to an extent resulting in the restoration and maintenance of the market balance between supply and demand. Among such delusions one should also classify the claims that food prices can supposedly be kept stable by increasing budget subsidies and that hence prices can be left alone for the time being in the expectation that the needed changes in their relations will come true of themselves as a spontaneous effect of the economic reform introduced under the present price conditions.

In reality, a common feature of tendencies and views of this kind is the attempt to avoid facing the problem, around which so many prejudices and disputes have arisen that stating the problem became a highly risky action in itself. However, no problem can be solved by hiding one's head in the sand like an ostrich. The actual price structure greatly deviates from the structure of production cost and does not correspond to the existing supply-and-demand structure, i.e. is not adjusted to objectives associated with guiding the development of the market situation. The degree of the differentiation in the profitability of discrete products as ensuing from the current prices has reached a simply unprecedented extent--and this pertains to all groups of products. As has been repeatedly pointed out in recent years, the current prices not only fail to rationally perform their functions but in many fields even lead to waste, intensify the disorganization of the market, complicate the solution of the crucial problems of agriculture, and result in various other adverse effects.

Thus prices cannot be left in peace; their eminently irrational structure cannot be frozen or perpetuated. Instead, they should be basically brought into order, since the longer this process in postponed the more difficult its implementation will be. The occasional consideration of the question of which should be reformed first--prices or the management of the economy, will have to be regarded as pointless. A major ideological premise of the economic reform is the restoration of proper importance to cost effectiveness as based on rational parameters serving to mesh the group interests of the enterprises with the interest of the national economy as a whole. And a rational system and structure of prices are a fundamental premise of cost effectiveness, as otherwise an effective economic reform is hardly conceivable.

The nature of the problem considered lies not so much in what should be done, and in what sequence, as in what can be done given the existing structure of socio-economic relations. There exists fairly common consensus that, in our present economic situation, it would be rather difficult to bring about the sudden shock that would be produced by a one-time and complete adjustment of the price structure to its proper level. Such an operation entails major changes in the real income of discrete parts of the population. Some opine that increases in the prices of basic consumer goods, especially foodstuffs, cannot be repeated more often than once every 6 months, and that their extent should not exceed 5-7 percent. This means that price corrections introduced on such a time scale would require many years before the price structure could be adjusted to a level regarded as correct.
It appears that such views require some complementation. Even a major shock in the form on a one-time far-reaching price reform would represent a solution having some chances for gaining public approval if it would be linked to a properly developed system of compensation for the rise in food prices and it it would be preceded by an appropriate and sufficiently long campaign to prepare the public. Such a solution, however, would have an adverse side effect in that it would retard the entire process of the economic reform, especially in fields in which a rationalized price structure is a prerequisite for progress. All this leads to the conclusion that the most effective solution might be an appropriate meshing of two parallel methods for introducing the reform, namely:

--commencement of a gradual correction of prices combined with other emergency measures, and continuation of this process in accordance with a predetermined schedule in order to gradually create the premises for enhancing the importance of cost effectiveness;

--parallel to the above, the construction of the pertinent (within the boundaries of the lead time adopted) model of the price structure and the determination of conditions for implementing that model, along with all the other solutions that together represent a comprehensively reformed operating system of the national economy.

The already prepared reform of the prices of supplier goods may be regarded as the initial stage of introduction of this concept. As is known, the government has drafted concrete decisions regarding a broad reform of the prices of supplier goods as of 1 Jan 81, whose effects are estimated at more than 800 billion zlotys. Criticism of certain premises of that reform has resulted in reopening the issue for further consideration, with one of the new proposals suggesting the possibility of revising--as of 1 Jan 81--the prices of only one, but important, group of supplier goods, namely, fuels and power. The work to revise the prices of supplier goods is based on the following premises:

--from the standpoint of the economic reform, the prices of supplier goods are of decisive importance, since they represent the basis for input-output [performance] analyses by enterprises;

--retail prices may be made independent of the movements of the prices of supplier goods, thus serving to treat their reform as a completely separate problem scheduled for implementation at a later stage.

The above premises should be regarded as justified, given only one, but important,

reservation: the isolation of the retail prices of consumer goods from the price movements of supplier goods can be considered only within a static framework, because the evolution of the situation in time is such that changes in the prices of supplier goods sooner or later affect the retail prices of consumer goods through various channels, especially through the calculation of costs of new products. In view of this, any price reform, even it it pertains only to the prices of supplier goods, is not just of purely instrumental but also of social importance. Thus such decisions should not be taken and implemented arbitrarily without prior consultation of the public and without prior explanation to the public of the premises and aims of the reform and of each of its stages.

Doubt also exists as to whether it is advisable to subdivide the reform of the prices of supplier goods into stages starting with fuels and energy and subsequently with other groups of these goods. This is because the first stage would simply result in shifting the burden of unprofitable operation to the industries and branches consuming fuel and energy, that is, in further exacerbating the existing disproportions. In view of this, a proposal has been made to postpone the reform of the prices of supplier goods until 1 Jul 81, and to extend that reform to not only the prices of fuel and energy but also to all the revision-requiring prices of other supplier goods, and to coordinate that reform with the first stage of the revisions of the retail prices of consumer goods.

A problem of basic importance that requires a solution as rapidly as possible is a properly evolved participation of worker self-government in the management of the national economy. As was recently stressed by the Chairman of the PTE, "during discussions we reached an agreement that a reform treated as a technocratic or managerial reform would be nonsensical. It must be a reform affecting the whole of economic, social, and political-institutional problems." This idea has been formulated just as explicitly, and doubtless felicitously, in the minutes of the meeting of a team under the Main Board of the PTE that is working on a report on the directions of the economic reform: "at present there is no realistic alternative for evolution of the system in Poland to occur in any way other than through [public] participation." That report also indicates that, according to the common consensus of the industrial and academic communities, settling the issues of worker self-government and enterprises should be the point of departure in the work on the economic reform.

However, the implementation of theoretically justified postulates for participation [by worker self-government] in the system of enterprise management entails, in the present situation, considerable difficulties and even the need to surmount certain contradictions. Thus, on the one hand, the idea of economic autonomy must be interpreted as the idea of the unity of rights and obligations, as the concept of a fundamental broadening of the scope of competences and autonomy of the enterprises and their self-government organs, which must be accompanied by actual responsibility for economic performance. Such responsibility is tantamount to making wage increases and expansion needs contingent on economic performance. Such a system of competences and responsibility can, however, be considered only after all the fundamental premises of the economic reform are fully translated into reality and after the entire system of relations between the center and the economic units [chiefly enterprises], which it would direct chiefly by means of economic-financial instruments and mechanisms, is based on new principles. Complete responsibility for economic performance cannot be held until real possibilities and rational criteria

for adopting decisions serving to mesh the group interests of the enterprise with socially useful activity are provided. The drafting and full introduction of the premises of the new operating system of the economy takes time, however. On the other hand, the need of the hour is the aforementioned necessity of settling as soon as possible the problem of the participation of factory crews in the management process, and of treating this issue as the point of departure for the comprehensive reform.

It appears that this contradiction could be solved by introducing annual agreements between the management of economic units and the organs of worker self-government. These agreements would apply only for the interim period, that is, until conditions are provided for the enterprises to be fully responsible for their own economic performance. These agreements would, moreover, apply to the implementation of particular and partial aspects of performance such as, e.i., a specific growth rate of labor productivity, or improvements in other yardsticks of this kind as ensuing from the specific nature of a given enterprise, upon making specific wage increases contingent on such implementation. Such a concept would assure a gradual and evolutionary broadening of the scope of responsibility for economic performance assigned to the enterprises and their self-government organs, and it would establish firmly the principle of making the extent of the resources placed at the disposal of a given enterprise contingent on the real value of its output. Independently of this there exists a need to determine the scope of the competences of worker self-government at enterprises, and to identify the fields and problems to be covered by the right to make recommendations or to participate in advisory capacity in the decision making processes, and also to identify the fields and problems with regard to which decision making with regard to, among others, the following problem:

--actual and not just formal approval of long-range and annual economic plans;

--approval of annual balance sheets and acceptance of periodic performance reports from enterprise managers;

--approval of nominations to the position of chief director of the enterprise as well as to a specific range of other managerial positions, combined with the right to initiate the recall of these persons from the posts they occupy;

--acceptance of investment plans whose cost estimates exceed a specified ceiling and which are financed from the enterprise's own funds and bank credit;

--adoption of decisions determining the directions of expenditure of funds allocated for the needs of the plant personnel, and especially funds of such types as the plant social fund and the plant housing fund;

--adoption of decisions on matters relating to strikes.

1386
CSO: 2600/200

'TRUTH' ABOUT INVESTMENTS, NEED TO MASTER PROCESS DISCUSSED

Warsaw ZYCIE GOSPODARCZE in Polish No 27, 5 Jul 81

[Article by Ch. M.: "More Truth About Investments"]

[Text] The high share of freezing and investment commitment and long investment cycles combine to make the costs of the investment process particularly difficult for the economy to bear. In the first quarter of this year commitment reached a value exceeding 1.2 trillion zlotys, constituting a level analogous to that found at the end of last year. To this must be added postulated commitment and commitment associated with so-called complementary investments. Part of the commitment worth approximately 300 billion zlotys has been consolidated in connection with the decisions adopted last year on the suspension of investments. Similarly in the first quarter investment freezing was subjected to a further increase up to 802 billion zlotys, which is a record level (at the end of last year it came to 780 billion zlotys).

A special item of investment freezing is unused machinery and equipment. Here again we reached the highest level ever of 56.2 billion zlotys. The value of unused imported machinery also rose to 35.8 billion zlotys.

Of the 56.2 billion zlotys in the value of unused machinery and equipment at the end of the first quarter, 16.6 billion zlotys constitute the value of machinery and equipment for suspended investments, and 2.2 billion zlotys for unclaimed investments and 0.7 billion zlotys for needless investments.

Three-fourths of the value of the unused machinery and equipment is assigned to the following ministries: metallurgy (20 percent), energy and atomic energy, and heavy and agricultural machinery (15 percent each), the chemical industry, and farming and the lumber industry (Kwidzyn).

Table 1.

Item	State of realization at the end of the period in billions of zylotys			
	1975	1979	1980	1st Quarter 1981
Freezing	306.7	664.8	779.9	802.3
Including:				
Used machinery and equipment	27.2	45.3	53.2	56.2
Commitment	714.7	1187.0	1272.5	1212.6
Average cycle of investment realization in months	30.3	38.6	38.8	

Source: calculated from the structure of realization of investments turned over for use in 1975.

Not only the high investment level, but also its structure is an important problem. From the number of nearly 10,000 tasks investigated in the field of continuing investment with a cost-estimate value of 1.75 trillion zlotys, 1,600 with a value above 50 million zlotys represent a cost-estimate value of 1.65 trillion zlotys, giving proof of the concentration in the implementation of large investment tasks.[1] This is also confirmed by the fact (on the basis of the same source) that 2/3 of the investment commitment comes from 16 percent of the investment tasks investigated with a cost-estimate value exceeding 4 billion zlotys.

Similar deductions are indicated from an evaluation of the branch structure of investment commitment in industry. Approximately half of the commitment of investment outlays is found in the following branches of industry: coal, energy, iron metallurgy and chemical.

Similarly investment freezing is concentrated in the large tasks, and 3/4 of the investment freezing applies to 16 percent of the investment tasks investigated with a cost-estimate value exceeding 1 billion zlotys. Just as in the case of commitment, a fundamental part of the freezing falls to the lot of the most capital-intensive branches and fields with the longest investment cycle.

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[1] John Macieja: Freezing and commitment of investments in the material production sphere," GOSPODARKA PLANOWANA No 1, 1981.

Table 2. Indicators of Effectiveness of Fixed Assets.

Item	Years 1975	1979	1980	1980 1975= =100
Technical development of labor in the sphere of material production in the national economy (in thousands of zlotys per employee)	319	458	491	154
Productivity of fixed assets in the national economy (in zlotys per thousand zlotys of gross production value of fixed assets)	407	324	287	70.6
Productivity of fixed assets in the socialized economy (in zlotys per thousand zlotys of gross production value of fixed assets)	403	314	282	69.2

The structure of production capacity growing as a result of an achieved investment program, the formation of jobs and their application is also a fundamental problem. Data on the technical development of labor and on the application of jobs indicates that unfavorable tendencies are appearing in this field.

Admittedly the value of the technical development of labor per employee in the material production sphere increased from 319,000 zlotys to 491,000 zlotys, but the productivity of fixed assets in the socialized economy (measured by net production per 1,000 zlotys of fixed asset value) diminished from 408 zlotys in 1975 to 282 zlotys in 1980. The coefficient of job utilization dropped to 1.37 in 1980 from 1.40 in 1979 and 1.47 in 1978. The shift-rate factor in the socialized industry dropped in the same period from 1.47 to 1.37.

Observation of the above-mentioned tendencies in individual industrial ministries indicates a still greater accumulation of the problems discussed in some of them. The most intense reduction in the coefficients of job utilization is found in ministries in which the most extensive investment programs have been and are being achieved, as follows:

the ministries of the machine industry, the chemical, the heavy and agricultural machine industry, metallurgy, and the construction and building materials industry.

A still functioning reason for the lack of mastery over investments is the lack of sufficient restraint in production and the supply of capital goods on the part of construction and the building materials industry, and the machine industry. Restricting investment possibilities is not effective enough if it does not first include producers and suppliers of capital goods, including foreign trade undertakings guaranteeing supplies of these goods by importation. This last fact is supported by the already mentioned unused machinery and equipment still being imported. The existence of this problem is also indicated by the deep lack of proportion between the formal drop in the magnitude of investment outlays and the constantly rising costs of enterprises "working" to support investments. Despite the drop in investment outlays, there has been almost no drop in employment in the building and mounting enterprises. During the course of 5 months this year their production dropped by 20.4 percent, while employment dropped by 3.6 percent. At the same time the personnel wage fund increased by 24.8 percent, and average wages rose by 29.5 percent. This must obviously lead to a further intensification of the deficit rate of the building and mounting enterprises. It is worth recalling that the financial results of these enterprises were plus 13 billion zlotys in 1978, minus 4 billion zlotys in 1979, minus 38 billion zlotys in 1980, and minus 16 billion zlotys in the first quarter of 1981 alone. It can easily be calculated from this that the factual cost of investment associated with the building and mounting enterprise activity can be some 60-70 billion zlotys higher in 1981 than the calculations of investors.

It should also be recognized that the consumption of building materials is included in the investment costs at prices which have been considerably lower than the costs of producing these materials for a number of years. For example, in the association of the cement, lime and gypsum industry, the financial results have dropped from minus 0.4 billion zlotys in 1978 to minus 2.8 billion zlotys in 1979, minus 4.5 billion zlotys in 1980 and minus 2 billion zlotys in the first quarter of 1981 alone. Thus we are not making any great mistake when we claim that the factual social cost of investment with respect to the real outlays of the building and mounting industries and the building material industry can be approximately 100 billion zlotys higher this year than the cost indicated by the investors.

This leads to conclusions showing the urgent need to stem the flow of financial resources to investments "through the underground" by building and mounting enterprises and the rigid prices for building materials. Since the expensive and often excessive investment production is also supported in industries manufacturing machinery and equipment and other capital goods, these fields must also be effectively contained. The

factual investment cost should be made known, and this cost should be subject to effective regulation. It is impossible not to sanction (in the interests of management and staff) the continued production of machinery and other capital goods, which should not be covered by the investment fund. And the picture should not be obscured by the maintenance of rigid and unrealistic prices for building and mounting services, building materials and other capital goods, not excluding machinery and equipment.

Many of these matters will actually be solved as a result of the price reform on means of production frozen after 1 January 1982 and other economic reform undertakings. But today these problems require a different approach, such as on the part of the bank and finance systems. It will be impossible to avoid reference to management methods, but of the sort where the interests of the economy and of society could conquer impulsiveness and selfishness.

We must still do away with the continuing tolerance for lack of mastery of the investment process. This is another of the conditions of reconciling society with the need to reduce real current income. It will be easier for the people to understand the need for their own self-denial when investment waste is obviously reduced.

6806
CSO: 2600/257

TERRITORIAL ADMINISTRATIVE CHANGES INDICATED

Warsaw TRYBUNA LUDU in Polish 6 Jul 81 p 3

[Article by Jadwiga Mikolajczyk: "Concerning Boundaries and Parochialism"]

[Text] The Sejm, the Ministry of Administration, Local Economy and Environmental Protection, as well as the editorial offices of newspapers, including TRYBUNA LUDU, have in recent months received many letters and petitions demanding changes in the nation's administrative division. The results will have an effect on several areas:

--relatively minor corrections in the boundaries of communes ("relocation" of individual rural areas);

--restoration of certain previously existing communes;

--change of provincial boundaries, ranging from minor relocations to different situating of certain cities and regions. What is observed here is a tendency toward large-cities--Lodz, Warsaw and Wroclaw.

This matter elicits many emotions and these demands are the expression of a critical evaluation of the territorial division reform of 1975. The authors of the petition claim that the introduction of a two-stage division was a mistake. In dividing and joining there was no regard, for example, for the direction to which individual towns leaned, historically created ties linking cities and regions were disturbed, etc. This resulted in hardships for residents and sometimes, according to the writers, also eliminated the opportunity for their town's proper development.

After the Interpellation

This matter was the subject of a ministerial interpellation at this year's May session of the Sejm and, according to the announcement by the minister of administration, local economy and environmental protection, after analyses and discussions with interested parties, decisions concerning certain changes on the lowest levels were undertaken or are being worked on. This also concerns the possible reactions of some of the communes. Also being analyzed are proposals concerning changes in provincial boundaries. Based on the opinion obtained from the department, we can expect that certain of them are likely to be implemented in the near future. (Provincial boundary changes follow decrees by the Council of Ministers--J.M.)

From the above, it appears that the reactions to the emotionally tinged demands are on the whole careful and limited by various "yes--ifs." The decisions are coming slowly primarily because this matter was dealt with too late. Delegations with petitions were coming to Warsaw as early as last fall, and it could have been anticipated that this matter could not be waited out.

However, since the matter is already being dealt with, one should not be surprised by the careful study of all the pros and cons. With the best intentions of correcting mistakes, it is very easy to commit new and very costly errors. Naturally, minor and very obvious matters should be solved quickly and without delay while others--and this cannot be helped--should be fairly (which does not mean bureaucratically) analyzed, evaluating whether arguments favoring changes are correct and also whether they establish the necessity for immediate implementation of said changes.

From the results, it appears that if today one wanted to implement all the porposals concerning the shifting of territories among provinces, boundaries of 36 provinces would have to be disturbed. The opinion of the neighboring WRN [Voivodship People's Councils] on this subject may also not necessarily be convergent.

The accepted principle of the present stability of the nation's administrative division should be supported. This means that only the most justifiable corrections are being agreed to, that is, in instances where social disadvantages or economic nonsense are disturbing, where not making changes would mean destroying developmental possibilities, etc., while leaving the rest for a later time. If it were decided to implement all the proposed changes today, the result would be quite a mess, and all these changes would not necessarily bring about the hoped-for results.

In this matter we have some educational experience. It is worth bringing up, since few people remember, that the present administrative division resulted from a concept adopted several years ago which had a rational basis (and which had already been taken into account in Poland some decades ago as well as right after the war) and from concessions and modifications which resulted from various pressures in the course of its implementation. For example, the number of provinces increased as compared to the number in the original proposals. At the beginning, there was talk of approximately 30 provincial units. The number of communes was fluid for a long time.

The lack of publicity during the preparation of this reform did it a lot of harm, and this lack made verification of the accepted criteria impossible. Supression of discussions before the decision was taken subsequently resulted in numerous conflicts in connection with which there were hasty changes--and new conflicts.

Completing What Was Started

This reform was not actually completed, because many basic conditions for its success were not fulfilled. For instance, the concept of a strong commune, with its governing bodies having the necessary powers and with a competent administration, deserved support, even with the now-questioned argument that it is a concept of authority closer to the citizen. It turned out that we were often supporting a fine theory which was not supported by adequate funds, and predictions for the development of a communal infrastructure, building of roads and communications connecting the rural areas with the communal seat, and so forth, remained on paper. The communes did not receive the anticipated authority. Centralizaiton and significant lack of develop-

ment of democratic and self-ruling forms of government, and thus also a lack of public control, are the source of the bureaucracy which harasses the rural residents in communal offices and institutions.

Today, matters regarding territorial divisions can be solved only in the context of the whole system governing the nation and the economy, and the reforms being prepared in these areas. It is worth noting this fact in a situation where the argument involving wrongs (e.g., the provincial capital takes the funds, or the neighbors have better supplies) is so often used in efforts to change administrative "attachment." Such situations simply will not be able to exist in a decentralized and self-governing administration.

Waiting for the Professional Report

These days, in hard times, parochial thinking makes life much more difficult and both the territorial administrations and the self-government and social organizations should exhibit particular sensitivity to the attempts at placing barriers on provincial or communal boundaries so that the school, the health center, the store--or rather what is in it--will be only for one's own. We can only give something for something.

As to the solutions on the horizon: The subject is current not only in the department, but also in the Sejm committees, in the unit working out rules concerning the people's councils, in the committee for economic reforms and wherever the future of tha nation is being discussed. It appears that what has been done is the most appropriate. A professional report by the appropriate PAN [Polish Academy of Science] agency has been ordered on the subject of the operation in practice of the "new," as it is still called, division of administration. Only a thorough knowledge of the facts can be the starting point for a discussion about change.

9461
CSO: 2600/258

PEOPLE'S COUNCILS LEGISLATIVE CHAMBER APPROVES 1981-1985 PLANS

Bucharest BULETINUL OFICIAL in Romanian Part I No 46, 9 Jul 81 pp 1-4

/Decision No 1 of the Legislative Chamber of the People's Councils of the Socialist Republic of Romania Approving the Draft Uniform National Plan for Romania's Regional Socioeconomic Development in the 1981-1985 Five-Year Plan and the Draft Plan for Development of Agriculture and the Food Industry for the 1981-1985 Period/

/Text/ On the basis of Article 13 of Law No 5 of 1975 on the Congress, Legislative Chamber and Conferences of the People's Councils, we hereby approve and order to be published in BULETINUL OFICIAL Decision No 1 of 29 June 1981 of the People's Councils Legislative Chamber Approving the Draft Uniform National Plan for Romania's Regional Socioeconomic Development in the 1981-1985 Five-Year Plan and the Draft Plan for Development of Agriculture and the Food Industry for the 1981-1985 Period.

Nicolae Ceausescu
Bucharest 9 July 1981 President of the Socialist Republic of Romania

Decision No 1 of the People's Councils Legislative Chamber

Upon discussing the Draft Uniform National Plan for Romania's Socioeconomic Development for the 1981-1985 Period and the Draft Plan for Development of Agriculture and the Food Industry for the 1981-1985 Period, the People's Councils Legislative Chamber finds them drafted in full accord with the Directives Ratified by the 12th RCP Congress and the decisions of the Second Congress of the Councils of Workers in Industry, Construction, Transportation, Circulation of Goods and Finance and of the Second Congress of the Management Councils of the Socialist Agricultural Units and All Farmers and the Councils of Workers in the Food Industry, Forestry and Water Management.

The discussions brought out the decisive contribution of Nicolae Ceausescu, RCP secretary general and president of Romania, to the final preparation of the Draft 1981-1985 Five-Year Plan as well as the Draft Plan for Development of Agriculture and the Food Industry for this period, which emphasizes expansion of the domestic raw material and energy resources, intensive development of agriculture and the food industry, improved and economically effective industrial structures, better use of raw materials and energy, technical and qualitative improvement of material production, concentration of investment projects to expedite activation of the new capacities and to lower operating costs, more effective exports and reduced imports, consistent application of the new economic-financial mechanism, and mobilization of all resources to implement the program for further improvement of the people's living standard.

The People's Councils Legislative Chamber believes the provisions of both draft plans for the 1981-1985 period reflect the party's and state's economic policy of steady development of the productive forces throughout Romania and regionally in a balanced and dynamic structure, according to the decisions of the 12th RCP Congress on socio-economic development in 1981-1985.

On the basis of Article 6 of Law No 5 of 1975 on the Congress, Legislative Chamber and Conferences of the People's Councils, the People's Councils Legislative Chamber hereby decides:

Article 1. The Draft Uniform National Plan for Romania's Regional Socioeconomic Development for 1981-1985 is hereby approved.

Article 2. The Draft Plan for Development of Agriculture and the Food Industry for the 1981-1985 Period is hereby approved.

The proposals made in the session of the Legislative Chamber wherein the draft plans were discussed shall be forewarded to the Council of Ministers.

Article 3. In order to fulfill and overfulfill the Uniform National Plan and the Plan for Development of Agriculture and the Food Industry for 1981-1985, the people's councils will take steps to:

a. Develop all socioeconomic activity in every county, municipality, city and commune more effectively so that all units regardless of their affiliation will fulfill the tasks assigned in the 1981-1985 Five-Year Plan completely, especially those in connection with physical production and the value of the net output and reduction of material outlays by complete mobilization of the existing potential and all local resources;

b. Consistently apply the provisions of the new economic-financial mechanism in order to heighten the responsibility of the economic, social-cultural and territorial-administrative units for fulfillment of the plan tasks and consolidation of self-management and self-administration for purposes of greater economic effectiveness;

c. Make intensive use of production capacities through scientific organization of manufacturing processes and labor by modern, highly productive methods; intensify automation and mechanization and promptly perform operations for maintenance, inspection and repair of equipment and installations; better organize cooperative production among enterprises; attain the approved technical-economic indices in activated units as soon as possible; and recruit and train the necessary labor force.

d. Further improve the technical standards of the products and produce the assortments and qualitative structures in accordance with the measures taken to typify and standardize them; assimilate new materials and equipment with better characteristics and lower energy inputs, and modernize and diversify the output of consumer goods to meet the public's demands;

e. Make rational use of energy resources in all activities through further reduction of specific consumption of heat and electric power and fuel, modernization of the installations consuming them, improvement of manufacturing methods, equipment with heat recovering appliances, and reduction of technological losses and inputs in the electric power stations and the transmission and distribution networks;

f. Properly manage raw material and material resources, intensify their exploitation, and maintain a strict regime of economy by considerably reducing the inputs, so that all economic units will take measures to keep reducing them;

g. Intensify efforts to recover and reuse the materials resulting from the processes of production and consumption; consistently apply the approved measures to organize recovery of those resources from the socialist units and the public in order to recycle them; and expand operations to recondition spare parts, components and subassemblies;

h. Accelerate development of small industry in order to further increase production of consumer goods and especially household articles, performance of services to the public, production of construction materials, reconditioning of parts and subassemblies, production and export of handicrafts, and cooperation with big industry; and expand exploitation of local raw material resources, by-products and materials that can be recovered from industry and agriculture;

i. Make rational use of the land reserve through complete use of the agricultural areas in the socialist units, those privately held, and those on the premises of enterprises; use the areas improved for irrigation completely and more productively; perform land improvement operations punctually and arrange rational crop rotations within the jurisdiction of each agroinsustrial council;

j. Increase agricultural production by prompt performance of all operations with strict observance of the particular methods for each crop, by procurement of quality seeds and planting stock, by better use of the tractor and agricultural machine park, and by efficient management of chemical and natural fertilizers, rational use of chemical pesticides, punctual harvesting, and storage and maintenance of agricultural products without losses;

k. Intensify modernization of vineyards and orchards, further increase the output of vegetables and potatoes, and expand the crops of early vegetables to better supply the public and the food industry;

l. Increase the numbers of livestock and the average and total yields of livestock products by improving selection and reproduction of the breeds, making full use of the capacities of the zootechnical complexes, securing the fodder base by increasing the average yields of cultivated plants per hectare, improving the natural pastures and hayfields, and using coarse fodders and by-products. The output of meat, milk and eggs will be increased to meet the needs of each county.

m. Intensify research and apply the research findings promptly to production in order to obtain highly productive seeds and planting stock adapted to the soil and climate of every area;

n. Completely fulfill the plan tasks for deliveries of agricultural products to the central reserve, including the supplementary contracts and purchases; increase the public's contribution to the performance of those tasks;

o. Enhance the efficiency of the economic activity of the state and cooperative unified agroindustrial councils and the other agricultural units by lowering material outlays, increasing labor productivity, and reducing the inputs of raw materials, materials, fuels and energy;

p. Encourage the rural workers to perform the agricultural operations promptly and well and shorten the harvesting period as far as possible; strengthen discipline and responsibility in every agricultural unit for fulfillment of the plan tasks, and strengthen the unified agroindustrial councils' role of managing all agricultural activity;

q. Implement hidrotechnical projects with complete exploitation and regulation and rational use of the waters in the hydrographic basins in correlation with regional systematization; carry out the measures in the environmental protection program, construct installations to purify used waters and operate them at the planned parameters; intensify recycling of industrial waters and minimize the losses;

r. Activate the investment capacities on time, for which purpose steps will be taken for contracting and delivery of the manufacturing equipment on schedule, prompt preparation of the technical-economic documentation and construction plans, regular performance of operations at worksites, expanded mechanization and industrialization of construction-installation operations, and efficient use of the technical inventory and labor force throughout the year. Special emphasis will be placed upon fullest use of the existing premises by providing them with machinery an equipment and upon shortening the activation deadlines of capacities under construction.

s. Apply to plans new technological and construction measures that will minimize inputs of fuel and energy in operation and decrease the volume and area of the constructions as well as the consumption of energy-intensive materials; make extensive use of local materials and reuse recoverable ones that will lower the investment costs; properly perform operations based on standardized technologies and designs;

t. Intensify scientific research, technological development and introduction of technical progress for purposes of more intensive development of raw material and fuel resources, exploitation of new energy sources (thermal waters, wind power, solar energy, biogas, biomass etc.) and reusable energy resources, and reduced specific consumption of fuel and energy in all activities; introduce and expand highly productive advanced technologies, manufacture new products consuming less fuels and raw materials, and expand mechanized and automated production. A priority will be placed upon accelerated application of internal research to production and closer coordination of research with education and production.

u. Provide for the export commodity reserve in the assortment and qualities in demand on the foreign markets, which will increase their sales; adjust production promptly to the customers' demands, and make the most effective use of the foreign exchange resources allocated by the plan;

v. Intensify the use of transport means in order to minimize the outlays, use the motor vehicles and trailers in the park to full capacity, and conserve the fuels;

w. Completely implement the measures specified in the programs to enhance labor productivity by improving the work norms, decreasing auxiliary and nonproductive personnel, intensifying mechanization and automation of the production processes, improving organization of the work shifts, expanding work at several machines, strengthening order and discipline on the job, and intensifying qualification and multiqualification of personnel.

Article 4. For fulfillment of the tasks of their directly subordinate socioeconomic units, the people's councils will provide for:

a. More efficient use of the investment funds provided by the five-year plan for housing construction, for expansion of the water supply and sewerage network, for development of the technical-material base of the construction-installation organizations and small industry, and for education, culture and health protection.

b. Strict control over application of the systematization plans in the approval and implementation of investment projects, to ensure rational use of lands within the buildable limits of the communities and to avoid abandonment and demolition of existing constructions and especially dwellings as well as withdrawal of lands from agricultural or forestry use.

c. Use of a wider variety of standard designs and application of new construction measures in design and construction of housing and social-cultural buildings, in order to reduce the weight of the structures, the volume of the technical-municipal networks, and the consumption of fuels and materials; improved insulation of the outer walls of the buildings against humidity and heat; further use of building stones, volcanic tuff and other local materials; and introduction of new, standardized construction materials as well as heat-insulating materials made from local resources in the production of their own units;

d. Intensified industrialization in housing construction, further promotion of typical architecture, improved quality and durability of residence buildings, and better maintenance and modernization of the existing state housing reserve;

e. Improved contracting with the public for privately owned housing to be built with state aid in credits and construction, for complete fulfillment of the plan provisions.

f. More rapid development of services to the public and diversification and improvement of the services, especially maintenance and repair of housing, technical-sanitary installations, chemical laundries and cleaning establishments, and passenger cars, as well as various domestic services, providing for complete fulfillment of the tasks in the program to develop services to the public; and improved distribution of service units regionally and within communities;

g. Development of their own energy sources from biogas, wind power and solar energy (activation of new small hydroelectric power stations to expand local use of those new sources) and equipment of dwellings with solar energy installations to provide them with hot water in the summer months;

h. Further participation of the public and personnel of enterprises and institutions in the program for housing and social-cultural constructions and in municipal projects and those to embellish the communities;

Article 5. For better supply of the public with goods, the people's councils will provide for:

a. Proper distribution of the commodity reserve among communities, trade systems and and units as well as their regular supply with priority on cities and workers centers;

b. Checking fulfillment of the tasks for complete and regular delivery of the stock in trade specified in the plan and the economic contracts in the assortment and qualities demanded by the public;

c. Expansion of the trade network in correlation with the activation of apartment houses, intensive use of commercial space, more intensive promotion of modern and efficient methods of serving the public, and further development and modernization of the network of public catering units.

Article 6. The people's councils will make concerted efforts to carry out their tasks for regional socioeconomic development, good management and embellishment of the cities and communes, implementation of public projects, and the further enhancement of the public's welfare and civilization in all areas of Romania.

People's Councils Legislative Chamber

Chairman Ion Sirbu

Council of Ministers of the Socialist Republic of Romania

Prime Minister Ilie Verdet

Bucharest 29 June 1981
No 1

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27 Aug. 1981